

PRESIDENT'S MESSAGE

Significant changes.



Don Sterhan
MPEG President & CEO

We continue to experience many twists and turns as we travel down the road of the Low-Income Housing Tax Credit (LIHTC) industry. Last summer we welcomed the passage of the Housing & Economic Recovery Act of 2008 and applauded key regulatory changes, including the use of tax credit investments to reduce the Alternative Minimum Tax (AMT). Soon thereafter, in February of 2009, in response to a worsening economic climate, Congress passed the American Recovery and Reinvestment Act (ARRA) to provide billions of dollars in stimulus funding.

For better or worse (depending on your viewpoint), this stimulus package included funding provisions designed to help overcome the serious lack of capital in the LIHTC markets. Two programs in particular were introduced to provide equity capital and/or gap financing to stalled LIHTC projects: 1) the tax credit exchange program (TCEP), and 2) the tax credit assistance program (TCAP). These programs are now being utilized by state agencies as a valuable resource for projects that may otherwise fall short of equity capital, or for projects that may lack an equity investor altogether. No doubt these programs will be a positive factor in moving "shovel ready" projects forward in a timely fashion.

But with that said, let's look behind the curtain for just a moment. While these programs may offer alternative solutions in the short run, they also introduce uncertainty and complexity into what was previously a rather efficient and market-driven industry.

First, the introduction and administration of these programs is already proving to be a rather difficult process and undertaking. The TCEP is administered by the US Treasury, whereas the TCAP is administered by HUD. Guidance has been slow in coming, so we are just now beginning to gain clarity as to the many new rules and regulations that will now apply.

Second, the programs do little to restore investor interest and re-energize the equity markets. If, in fact, we wish to attract and retain private investors, then we must continue to emphasize this objective in the overall equation. If we become too reliant or dependent upon the stimulus programs to address the capital shortfall, we run the risk of changing the nature and character of a long-standing and successful LIHTC program.

I happen to believe the role of private equity investors is critically important to the continued and long-term success of the LIHTC program. It is, therefore, imperative that investors remain a focal point as we consider ways to improve and revitalize the industry. Fortunately, many housing advocacy groups agree on this point, and regulatory changes are being proposed that will incentivize private equity investors. For example, housing advocates are urging Congress to enact two provisions that are sure to attract the attention of investors. One is to allow a 5-year carry back in the use of the tax credits. The other is to allow qualified Subchapter S corporations to utilize the tax credits, a change that would open the door for the first time to many profitable companies that have previously been on the sidelines. These proposals offer a very real opportunity to help attract private equity investors, so please let's don't be shy about supporting and promoting these initiatives. Contact your Congressional delegation – and let them know what's at stake!

Don Sterhan

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OUR VISION

Mountain Plains Equity Group, Inc., is dedicated to the development of affordable housing units. By providing equity investment capital and other key resources to project developers, MPEG is working to enhance the quality of life and to promote sustainable growth in our communities.

COMING SOON

to a Community Near You

“Eagle Manor II Project in Helena, Montana is 3rd phase of extensive rehab”

The Eagle Manor II project is actually the third and final phase of a senior housing complex in Helena, Montana, that is known most commonly as “Eagles Manor.” Rocky Mountain Development Council, Inc., has been the sponsor and driving force behind each phase of the development. This senior housing campus consists of 3 components (or developments) that have been improved over the past 5 years. Phase 1 was the acquisition/rehab of Penkay Eagles Manor, a 66-unit facility designed for elderly and disabled. Phase 2 was the new construction of Eagle Manor III, a 3-story and 30-unit building completed in November of 2008. And finally, this latest project will complete Phase 3 of this campus development.

In terms of financing, all of the 3 phases involved the use of low-income housing tax credits. This particular project involves the acquisition and rehabilitation of a pre-existing senior apartment



Eagle Manor II under construction earlier this summer

building. The building is being renovated to convert its current inventory of strictly efficiency units into a mix that is primarily one-bedroom units. Upon construction completion, which

is currently slated for November of 2009, this complex will consist of 44 rentable units. MPEG looks forward to the completion of the project and Grand Opening celebrations. Continue to check our website for project updates.

“Cornerstone Apartments now being constructed in Casper, Wyoming”

The Cornerstone Apartments construction of a new 36-unit family development in Casper kicked off in June. The project, called Cornerstone Apartments, is yet another quality



Construction begins at the Cornerstone Apartments

project by the Cornerstone Associates, LLC. This same group created the Legacy Senior Residences which is a beautiful senior complex recently completed in Casper. The

project was proposed to address the gap in the community's affordable rental housing market. It is being constructed in an area that is close to many services including retail shopping, food services, medical facilities, schools, and transportation, making it an excellent location for tenants. Stay tuned, as MPEG will continue to provide you with progress updates for this quality housing complex.

CURRENT LIHTC RATES

LIHTC RATES	2008		2009	
	30%	70%	30%	70%
January	3.40%	7.93%	3.28%	7.65%
February	3.40%	7.92%	3.23%	7.53%
March	3.36%	7.84%	3.27%	7.63%
April	3.36%	7.84%	3.29%	7.67%
May	3.34%	7.80%	3.28%	7.65%
June	3.38%	7.89%	3.30%	7.71%
July	3.40%	7.93%	3.35%	7.82%
August	3.40%	7.94%	3.35%	7.82%
September	3.40%	7.93%	3.36%	7.84%
October	3.37%	7.87%		
November	3.36%	7.83%		
December	3.36%	7.84%		



GRAND OPENINGS

Two projects in Casper
wrapped up construction this summer.



Legacy Senior Residences in Casper, Wyoming.

The Prairie Sage Apartments, a 3-building complex with a total of 64 units serving as multi-family housing, wrapped up construction in early July and held a Grand Opening on August 14th. The demand for affordable housing in the Casper community has been so great the Legacy project is fully leased up and the Prairie Sage project is filling the last of its units.



Well appointed community room for the Legacy tenants.



Ribbon cutting ceremony at the Grand Opening of Prairie Sage Apartments.



Prairie Sage Apartments in Casper, Wyoming.

The Legacy Senior Residences, a 54-unit complex serving the senior age 55+ residents, celebrated their Grand Opening at the end of June.

MPEG is proud to partner with the respective developers, Cornerstone Associates, LLC and Summit Housing Group, Inc., in bringing affordable housing to the Casper community. The quality of these two projects is a direct reflection of the quality of the developers, and it is a pleasure to see these developments come to fruition. Financing for each of these projects was provided in large part by federal tax credits and HOME funds that are made available to developers of low-income housing

projects. Due to the nature of these affordable housing developments, tenants must income qualify and rent restrictions are imposed. The Tax Credit and HOME programs are managed by the Wyoming Community Development Authority, a lead agency in the development of affordable housing throughout the state of Wyoming.

Library Square II Complex
in Mandan, North Dakota, is now leasing.

The Library Square II project in Mandan, North Dakota, wrapped up construction early this summer and a Grand Opening Ceremony was held on August 21. Lease up is now



Don Sterhan addresses the attendees at the Grand Opening of Library Square II in Mandan, North Dakota.

well underway and tenant applications are being accepted. This new apartment complex is dedicated exclusively to residents aged 55 and over. MPEG is proud to be a part of a project that brings such a valuable asset to the Mandan community.



Elegant common area for the residents of Library Square II.

The 45-unit property offers tenants an array of amenities including a comfortable floor plan with modern appliances, off-street parking, community room, central laundry, and elevator. The property is located in downtown Mandan in close proximity to public transportation, shopping, medical services, and churches.

The Library Square II complex was sponsored by MetroPlains, LLC and Community Works of North Dakota with financing provided in large part by federal tax credits that are made available to developers of low-income housing projects. Managed very successfully by the North Dakota Housing Finance Agency (NDHFA), this tax-credit program has been responsible for the development of many high-quality affordable housing projects in North Dakota.

Mountain View Apartments III
in Hamilton, Montana, is wrapping up construction.

The community of Hamilton, Montana, has been experiencing tremendous population and economic growth resulting in an increase in the demand for affordable housing. Summit Housing Group, Inc., has recognized and responded to the need for housing by previously developing Mountain View Apartments I and II. Construction is now almost complete on their latest addition to the affordable housing inventory in Hamilton, known as Mountain View Apartments III. Lease up of the newly constructed 46-unit multifamily complex began in August. An open house for prospective tenants was held August 7th and a Grand Opening date will be announced in the near future.



Mountain View III Apartments in Hamilton, Montana.

The apartment complex is very attractive in design, resembling more of a townhome structure. Two- and three-bedroom units are available for rent by income-qualified tenants. The project, nestled against breathtaking mountains, is enhanced by modern exterior colors, convenient carports, and low-maintenance greenscape.

This project was financed in large part through the purchase of low income housing tax credits awarded to the developer by the Montana Board of Housing (MBOH). Our compliments to the MBOH as they work to facilitate the development of affordable housing throughout the state of Montana.

“MPEG is proud to partner with developers and investors in bringing affordable housing to the communities in need.”

Ashwood Apartments in Pueblo, Colorado
recently celebrated its Grand Opening.

MPEG was on hand at the end of June for the Grand Opening of the Ashwood Apartments in Pueblo, Colorado. Unit lease up is well underway and tenants must income qualify at or below 60% of the Area Median Income (AMI) for Pueblo County. The project was developed by the Housing Authority of the City of Pueblo and is dedicated to senior citizens (age 55+) that are income-qualified. It is an attractive and modern design, configured in five separate buildings with five units per building. This configuration allows a one-level garden style appearance that seems to be a welcome departure from the more traditional LIHTC designs. All of the 25 rental units are of an identical design and size, that being a one-bedroom apartment with 650 square feet of living space. Other amenities include a common area laundry, carports for covered parking, and beautiful low-maintenance landscaping.



Ashwood Apartments in Pueblo, Colorado.

As the tax credit investor, **Wells Fargo Community Development Corporation** played a critical role in the financing of this project. MPEG arranged the equity transaction and is proud to be a part of this successful development. HOME funds from state and local sources and local bank lending were also key components of the overall financing structure. Our special thanks to the Colorado Housing Finance Agency (CHFA), the state agency that manages the tax credit program in Colorado.



The Grand Opening...left to right is Frank Pacheco, Executive Director, HACP; Don Sterhan, President, MPEG; Lenny Valdez, Board Member, Pueblo Fenix, Inc.; Barb Bernard, Director of Special Projects, HACP; Joe Ulibarri, Chairman of Board of Commissioners, HACP; and Gary Trujillo, Architect, HACP.

LIHTC APPLICATIONS

Montana

The Montana Board of Housing (MBOH) has used a combination of LIHTC, TCEP, and TCAP funds to award financing to 8 new affordable housing projects proposed in Montana for 2009. In addition, assistance funds were awarded as gap financing to two projects under construction that had 2007 tax credits. One project (unable to place their 2008 tax credits) was able to exchange all of their credits for equity under the TCEP program. MPEG offers congratulations to the developers of these projects and extends kudos to the MBOH for their diligent work to utilize the new TCEP/TCAP programs to fund these developments.

North Dakota

The second tax credit application round in North Dakota closed at the end of July. Thirteen projects applied for a total of \$5,904,524 in tax credits from the available pool of approximately \$2.5 million. The North Dakota Housing Finance Agency (NDHFA) has awarded at total of \$2,472,533 to six projects. Please check out their website at www.ndhfa.org to view the recipient list. NDHFA is also reviewing applications for TCEP/TCAP funds for projects with 2007, 2008, or 2009 tax credits that are experiencing cash short falls or have been unsuccessful in their attempts to place their tax credits.

Wyoming

The Wyoming Community Development Authority (WCDA) awarded tax credits to six projects in the 2009 application cycle. The developments promise to bring new affordable housing to the Wyoming communities of Buffalo, Casper, Gillette, Lander, and Rock Springs. In addition, the WCDA continues to work through the logistics of the TCAP/TCEP program in order to bridge any financing gaps in these newly awarded projects or past LIHTC projects that may not be able to place all of their tax credits. MPEG will continue to keep you updated as to the status of these Wyoming affordable housing developments.



MPEG is pleased to welcome a new member to our staff.

Ms. Tarie Beck joined Mountain Plains Equity Group, Inc., in July on a part-time basis to assist with asset management and general office duties. Prior to joining MPEG, Tarie owned and operated a residential property management company specializing in the management of LIHTC properties throughout the state of Montana. Tarie has also had experience in the securities industry. From 1996 to 2002, Tarie held her Series 7 securities license and worked closely with an individual producer in managing approximately \$43,000,000 in assets. Tarie is originally from Havre, Montana, where she graduated from Havre High School. She also attended Montana State University-Northern as well as Mesa Community College in Mesa, Arizona.



MPEG is pleased to welcome a new Board member from North Dakota.

Mr. Tom Redmann was elected to the MPEG Board of Directors in April. He joined the Bank of North Dakota (BND) as a commercial loan officer in 1988 and has been the Manager of Lending Services for the past 10 years. In that role, he has responsibility for supervising BND's commercial and agricultural lending staff, as well as representing the bank's interests in loan participations throughout the state of North Dakota. BND is a unique institution, being it is the only state-owned bank in the United States. The bank works statewide with lenders, state and federal agencies, and local development organizations to promote the development of agriculture and industry in North Dakota. Mr. Redmann is a graduate of North Dakota State University and has a Masters degree in Business Administration from the University of North Dakota.



COMPLIANCE CORNER

MPEG's goal is to update you about important compliance issues and provide you with procedures you may want to consider implementing with your organization. The following material is for informational purposes only. Official guidance on LIHTC compliance issues can be obtained from your tax advisor.

“On June 23, 2009, several changes were made to HUD Handbook 4350.3. The following changes became effective on August 1, 2009.”

- 1 Live-In Aide: Even if all other conditions for a live-in aide are met, a spouse can never be considered a live-in aide. HUD continues to uphold the requirement that a live-in aid cannot be obligated for support of a household.
- 2 Student Income: Grants and scholarships should only be counted for LIHTC students receiving Section 8 assistance. Exclusion of grants and scholarships for any student that is not receiving Section 8 assistance is mandatory.
- 3 Income of Foster Children & Adults: Unearned income of foster children under the age of 18 should be counted as income. Both earned and unearned income of foster adults should be counted as income.
- 4 Pension Income: Any portion of pension income, of any type, paid to a former spouse by court order, should be excluded from income. In the past this has applied only to federal pensions.

PLEASE NOTE

The Montana Board of Housing will hold its Annual Tax Credit Compliance Training September 16-17, 2009, in Bozeman, Montana.